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RUEAIIA/CIA WASHDC PRIORITY
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RUEKJCS/JOINT STAFF WASHDC PRIORITY
RHMFIS/USCENTCOM INTEL CEN MACDILL AFB FL PRIORITY
RUEHNO/USMISSION USNATO BRUSSELS BE PRIORITY
RUEHVEN/USMISSION USOSCE PRIORITY 1847
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S E C R E T SECTION 01 OF 03 BISHKEK 000457

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TAGS: PREL PGOV PHUM KCOR KCRM EINV KG
SUBJECT: BISHKEK SCENESETTER FOR SCA ASSISTANT SECRETARY
RICHARD BOUCHER

REF: BISHKEK 446

Classified By: Ambassador Marie L. Yovanovitch, reasons 1.4 (b) and (d)

¶1. (C) Ambassador Boucher, thank you for your willingness to come to Bishkek. Your visit comes as Kyrgyzstan still struggles to make sense of last year's Tulip Revolution. Although the government declared March 24 a national holiday) "People's Revolution Day") and staged a Soviet-style military parade to mark the occasion, in truth the overthrow of the Akayev regime has left a decidedly mixed legacy. Although there is no question that independent media and civil society are freer today than under Akayev, there is the widespread perception that corruption and crime) particularly organized crime) have become worse under Bakiyev. Most of the population has yet to see any improvement in living standards since the revolution, and the government's latest attempt at articulating its economic priorities appears to be a disappointing throwback to Soviet-era central planning. The past six weeks has been one of relative calm in Bishkek. Although this is probably only a temporary lull between political crises (which have repeatedly buffeted the government over the past year), there is no escaping the perception that President Bakiyev has consolidated his power since the forced resignation of the Speaker of Parliament (and long time Bakiyev rival) in February. Your visit, coming just as the government looks towards its second year in power, provides an opportunity to push President Bakiyev and Prime Minister Kulov in the right direction, and to urge them to take concrete steps towards real democratic and economic reform, especially on corruption.

¶2. (S) In your bilateral meetings with the Foreign Minister, President and Prime Minister, they will be very interested in the outcome of your meetings, particularly in Kazakhstan. They will also be interested in hearing more about our efforts to establish stronger links between South and Central Asia. MCA and the ongoing negotiations over the Coalition Airbase will certainly be important topics during these meetings. You will have the opportunity to urge the Kyrgyz to get serious about their bid for MCA funding, including the need for concrete steps to combat corruption, and preview for

them the next round of negotiations regarding the Coalition Airbase at Manas.

COALITION MILITARY BASE

¶3. (C) The Kyrgyz are committed to the continued presence of the Manas Coalition Airbase. The first round of talks about future U.S. compensation for use of the base was held in November of 2005, when the U.S. presented a detailed overview of what we are currently paying for the base. As a sidenote, the talks nearly collapsed over the presence of a prominent American lawyer hired by the Kyrgyz side to represent them in the investigation of past corruption involving the purchase of fuel for the base.

¶4. (C) The recent visit of DASD Jim MacDougall and NSC Deputy Director for Central Asia and Caucuses David Merkel went much better. Both sides agreed on a path forward for the next round of talks, tentatively scheduled for late April or early May. Both President Bakiyev and Foreign Minister Jekshenkulov told us that, at least for the Kyrgyz side, financial matters trump all others regarding the base. Both said that once an agreement is reached on financial terms, the rest of the negotiations will be relatively easy. During your bilateral meetings, the Kyrgyz will look to you for reassurance that we are serious about concluding a mutually beneficial agreement. They will press for specific dates for expert talks and the beginning of formal negotiations under Ambassador Loftis. President Bakiyev will likely note that the original agreement was delivered - including parliamentary ratification - within 48 hours. It has been

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almost a year since Secretary Rumsfeld first said that the USG is prepared to review financial arrangements, and the Kyrgyz are anxious to move forward with negotiations.

Political Situation

¶5. (C) Throughout its first year in office, the Bakiyev government was unsteady on its feet, lurching from one political crisis to another - only in the past two months has Bakiyev seemingly found his political footing. The late February forced resignation of Bakiyev's long-time rival, the Speaker of Parliament, capped a series of Bakiyev political victories. Bakiyev's newfound success has since led most observers to agree that Bakiyev has, at least temporarily, consolidated power to a degree that eluded him throughout ¶2005. In a more disturbing sign of this consolidation of power, the government has in recent months used law enforcement agencies and state-run media to both smear and intimidate civil society and the independent media.

¶6. (C) The current lull between political storms is probably only temporary, and a number of potential crises lurk ahead. President Bakiyev and Prime Minister Kulov remain bitter rivals. Rumors of an impending parliamentary effort to sack the current government - including the Prime Minister - through a no-confidence vote also signal the potential for serious trouble ahead. The impending election to Parliament of organized crime figure Ryspek Akmatbayev (reftel) could touch off another serious political crisis, similar to the one he sparked in October of 2005.

¶7. (C) The U.S. has been vocal both publicly and privately that criminals have no place in Parliament. In your conversation with the President, you should note U.S. disappointment that a criminal was able to intimidate the system and win a seat in parliament - subverting the democratic process. Stability is important, but not taking action against organized crime only undermines long-term stability and damages investor confidence and donor interest.

¶8. (C) Kulov's ambition and Bakiyev's insecurity are making for an increasingly fragile "tandem." While the Southerner Bakiyev appears to hold all the cards, it is not clear what kind of support the Northerner Kulov could muster if the efforts to push him out take a serious turn. Both Bakiyev and Kulov will take note, when you stress the importance of keeping the tandem to the stability and security of Kyrgyzstan.

¶9. (C) Finally, the ongoing debate over constitutional reform could also lead to political conflict. In your meetings you will likely hear conflicting visions from the President, Prime Minister and civil society regarding what they expect from a new constitution. It is important that Bakiyev, especially, hear from you that any future constitution, regardless of content, should be formed in a transparent manner with meaningful input from the government, parliament and the full range of civil society (a Constitutional Working Group, which has been tasked by Bakiyev to draft a new constitution, has only one, blatantly pro-Bakiyev, civil society representative). A repeat of the seriously flawed 2003 constitutional reform process would undermine the legitimacy of the Bakiyev government.

THE ECONOMY, CORRUPTION AND MCA

¶10. (C) President Bakiyev, from his earliest days in office, has made priorities of fighting corruption and jump-starting the Kyrgyz economy, particularly the manufacturing sector. Unfortunately, the government's various economic plans since then have either tried to inject greater central planning into the economy or amounted to little more than blatant

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attempts to squeeze more money out of donors and foreign governments (including Manas Airbase). Meanwhile, the government has done very little of substance to combat corruption. Instead, the widespread perception among businesspeople is that corruption has only become worse over the past year. Nominally, Prime Minister Kulov is in charge of economic policy, but it has been clear for some time that all-important decisions are made by the President.

¶11. (C) Making the fight against corruption the center of any economic plan is our key message. Corruption remains endemic in every sector of society, and there are numerous indications that it has actually become worse under Bakiyev. Corruption in the State Passport Agency, which has been well documented by Post, has become a major political issue, with some in Parliament threatening to use it as an excuse to vote the government and Prime Minister out of office. A proposal now being floated by the Presidential Administration to create a new State Agency to attract foreign investment appears to be little more than a one-stop-bribe-collecting-shop.

¶12. (C) Qualifying for MCA funding has also been a stated priority of President Bakiyev since his earliest days in office. Since being named a Threshold Country earlier this year, however, the Kyrgyz government has made halting progress at best in preparing its Threshold Country Plan and in drafting new legislation to meet MCA requirements, both of which are due on May 15. At this point, it will take an all-out effort on the part of the Kyrgyz government in order to make the May 15 deadline and have any hope of receiving funds under MCA. An important message to the Kyrgyz, particularly President Bakiyev, is that minus drastic action on the part of the government by May 15, Kyrgyzstan's chances of getting funding for an MCA Threshold Plan are in serious jeopardy.

¶13. (C) It is in our long-term interest that the Kyrgyz experiment work -- that they succeed in building a free market-oriented economy based on a democratic society. The combination of high-level attention and continued assistance

in the right areas can be the push the Kyrgyz need in the right direction. The Kyrgyz decision to release the vast majority of the Uzbek refugees to UNHCR, as well as our success in blunting efforts to gut the OSCE Center's mandate, show that our opinion and that of the international community matters) particularly when our message is clear and direct.

I look forward to meeting you upon arrival and updating you on the constantly changing situation in Kyrgyzstan.

YOVANOVITCH